

Treasury Legislative Update

Spring 2001

Following are brief summaries of legislation passed during the January - July 2001 legislative session. The bills are listed by act created or amended. Please visit www.michiganlegislature.org for complete copies of public acts.

General Property Tax Act

P.A. 94	SB 547	Enrolled Senate Bill 547 authorizes a county treasurer to withhold parcels of property from forfeiture based on provisions approved by the State Tax Commission (appeal of a homestead exemption, etc). This legislation also creates a certificate of error if certificates of forfeiture or redemption are erroneously filed. Enrolled Senate Bill 547 also clarifies how partial payments may be accepted by local officials and how a court may withhold parcels of property from foreclosure if the owner is subject to financial hardship.
P.A. 95	HB 4709	Enrolled House Bill 4709 eliminates outdated publication requirements related to the "old" delinquent tax collection system and clarifies that each notice of forfeiture contain only the name of the person to whom that specific notice is addressed. Current law requires the notice of forfeiture include the names of all persons to whom the notice was sent.
P.A. 96	HB 4711	Enrolled House Bill 4711 clarifies that a single petition of foreclosure must be filed by the foreclosing governmental unit with the clerk of the circuit court for all parcels forfeited and not redeemed. Further, the legislation states the foreclosing governmental unit must adopt a written financial hardship policy that will at least include the federal poverty income standards.
P.A. 97	HB 4713	Enrolled House Bill 4713 clarifies the period during which a delinquent parcel of property could be redeemed. If the property is subject to the old tax reversion process, the redemption period expires when the property is sold at a tax sale or bid off to the state. The redemption period expires 21 days after a judgment of foreclosure has been entered by the circuit court under the new delinquent tax collection process.
P.A. 98	HB 4715	Enrolled House Bill 4715 makes clear that any property delinquent for taxes levied before January 1, 1999, and not sold by May 1, 2001, is subject to the new delinquent tax collection process.
P.A. 99	HB 4716	Enrolled House Bill 4716 allows counties acting as a foreclosing governmental unit to expend proceeds from the tax-delinquent land sale for the defense of title actions and for other costs incurred in administering the foreclosure and disposition of forfeited property, including those costs incurred in future years. The state, acting as the foreclosing governmental

unit, already has this authority. The legislation also requires a foreclosing governmental unit to record a deed for any transfer of foreclosed property and allows a fee to be charged for the recording cost.

P.A. 100 HB 4717 Enrolled House Bill 4717 clarifies that no May tax lien sale (allowed under the old process) will be held after May 1, 2001. The new collection process is fully implemented and no future tax lien sales are necessary. This legislation provides a mechanism for the collection of delinquent taxes on properties that may have gone delinquent before January 1, 1999, but was not offered at a tax lien sale due to court order, bankruptcy, or assessment problems. Enrolled House Bill 4717 also ensures the state has the authority to enforce a lien for unpaid taxes under the new delinquent tax collection process.

P.A. 101 HB 4718 Enrolled House Bill 4718 eliminates certain recording requirements for a foreclosing governmental unit with the register of deeds. This legislation also clarifies that a foreclosing governmental unit must initiate rather than complete a title search by May 1 following the March 1 forfeiture. Additionally, Enrolled House Bill 4718 clarifies that the notice of the show cause hearing and the foreclosure hearing need only include the name of the person to whom the notice is addressed. Finally, this legislation clarifies that an “authorized representative” may conduct a title search on behalf of the foreclosing governmental unit but does not limit that authorized representative to a title insurance company.

Home Rule Cities Act

P.A. 37 SB 360 Enrolled Senate Bill 360 amends the home rule cities act to authorize the creation of a nonprofit corporation by the legislative body of a city and to ensure board meetings of these entities are open to the public.

Income Tax Act

P.A. 70 HB 4948 The Department of Treasury currently administers income tax credits for the preservation of an historic site. Before the credit can be claimed, however, the site must first meet specific qualifications determined by the Michigan Historical Center currently under the direction of the Department of State. House Bill 4948 amends the income tax act to move the jurisdiction of the Michigan Historical Center to the new Department of History, Arts and Libraries. No new tax credits for historic preservation were to be approved after December 31, 2003. The House of Representatives amended the legislation on the House floor to eliminate this sunset.

Local Government (Miscellaneous)

P.A. 35/36 HB 4222/4223 Annual reports are remitted to the State Board of Assessors which detail the taxes to be raised in each county and to the State Tax Commission outlining the total assessed valuation by amount and classification of property. These reports are currently under the jurisdiction of the county clerk. Enrolled House Bills 4222 and 4223 amend Public Act 282 of 1905 and Public Act 44 of 1911, respectively, to change the reporting entity for the above-mentioned reports from the county clerk to the director of the tax or equalization department.

Municipal Finance Act

P.A. 34 SB 29 Enrolled Senate Bill 29 provides for a new Treasury approval process for municipalities desiring to issue debt. Under current law a municipality must receive prior approval or an exception from prior approval from Treasury before it may issue debt. The new process would allow a municipality to submit general debt information (via a "qualifying statement") with its annual audit, after which Treasury would either provide blanket authority to issue debt for one year or work with the municipality to address any concerns. If a municipality does not meet the criteria for issuing debt without prior Treasury approval, it must seek approval from Treasury before each debt issue.

Within 30 days of receiving a qualifying statement, Treasury must make a determination of whether or not to give the municipality blanket authority to issue debt. Within 15 days after the sale, the municipality must file information with Treasury about the debt issue.

Under Senate Bill 29, the Treasurer can issue bulletins or adopt rules to carry out the purposes of the act. Bulletins must have a prior 30-day public comment period. The Treasurer may require municipalities to provide information electronically.

In addition to changing the Treasury approval process, Senate Bill 29 makes changes to a municipality's authority to issue debt. Under Senate Bill 29, a municipality has the authority to issue grant anticipation notes (GANs) and bond anticipation notes (BANs). GANs and BANs cannot exceed 50 percent of the anticipated grant or bond issue, respectively. A municipality may still issue capital appreciation bonds, but only within certain limitations and not in an amount greater than 15 percent of total issuance. Senate Bill 29 includes a new requirement for municipalities issuing refunding bonds. Specifically, except for limited exceptions, a municipality must demonstrate a net present value savings when issuing refunding bonds (this requirement already exists for school districts under the Revised School Code).

Senate Bill 29 gives new authority to counties, cities, villages, and townships to issue limited tax general obligation (LTGO) bonds for capital improvements. Currently, these municipalities can incur LTGO

debt by creating local building authorities, but cannot issue LTGO bonds directly. Under the new authority, a notice of intent to issue must first be published and the debt issue is subject to request for referendum by the voters. The amount of LTGO bonds that may be issued under this new provision is limited to five percent of state equalized value.

Under current law, a municipality must sell its bonds or notes through a competitive sale if the issue is greater than \$1 million and less than \$12 million. Issues greater than \$12 million may be sold through a negotiated sale with a waiver from Treasury. Senate Bill 29 allows the municipality to choose the method of sale.

Finally, state authorities that currently must receive prior approval or an exception from prior approval from Treasury need only file information that they plan to issue debt and approval will be given automatically. Within 15 days after the sale, state authorities must file information with Treasury about the debt issue.

The bill takes effect March 2, 2002.

Open Meetings Act

P.A 38	SB 361	Enrolled Senate Bill 361 amends the open meetings act to authorize the creation of a nonprofit corporation by the legislative body of a city and to ensure board meetings of these entities are open to the public.
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Sales Tax Act

P.A. 40	SB 492	Domestic air carriers (DAC) are allowed to make tax-exempt purchases of aircraft or parts and materials affixed to an aircraft that has a certified takeoff weight of at least 6000 pounds that is used to transport air cargo and/or passengers. Large commercial DACs employ a unique financing mechanism known as a "sale-leaseback" for purchases of the multi-million dollar aircraft needed to operate their business.
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Enrolled Senate Bill 492 amends the sales tax act to prospectively exempt sale of an aircraft that will be subsequently leased to a DAC for use solely in the regularly scheduled transport of passengers. That DAC must be operating under a specific certificate issued by the Federal Aviation Administration.

P.A. 102	HB 4540	Section 17 of the General Sales Tax Act requires a seller to collect sales tax on certain transfers of property, remit the tax to the state, and keep accurate and complete records of the transactions. The provision exempts some sales from the tax, but requires the seller to keep a detailed record of the exempt sales. It also provides that if a seller maintains these detailed records concerning exemptions and in good faith accepts an exemption certificate from a buyer, then the seller is not liable for unpaid
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tax if there is a later determination that the sale did not qualify for an exemption.

The bill amends section 17 of the Sales Tax Act to exempt wholesalers, authorized distribution agents and the Liquor Control Commission from collecting a sales tax exemption certificate for their exempt sales as long as they comply with all of the other record keeping requirements in section 17.

Single Business Tax Act

P.A. 69 HB 4947

The Department of Treasury currently administers single business tax credits for the preservation of an historic site. Before the credit can be claimed, however, the site must first meet specific qualifications determined by the Michigan Historical Center currently under the direction of the Department of State.

House Bill 4947 amends the single business tax to move the jurisdiction of the Michigan Historical Center to the new Department of History, Arts and Libraries.

No new tax credits for historic preservation were to be approved after December 31, 2003. The House of Representatives amended this legislation on the House floor to eliminate this sunset.

State Education Tax Act

P.A. 7 SB 341

The School District of the City of Saginaw collected excess debt levy retirement funds for its outstanding bonded indebtedness.

Enrolled Senate Bill 341 amends the State Education Tax Act to specify a credit will be applied against the tax for property located in a qualified school district (School District of the City of Saginaw) in 2001. The qualified school district, however, must deposit all excess debt levies to the Department of Treasury to the credit of the School Aid Fund by May 25, 2001. This will result in the full 6 mill levy to be deposited to the School Aid Fund.

Use Tax Act

P.A. 39

SB 491

Domestic air carriers (DAC) are allowed to make tax-exempt purchases of aircraft or parts and materials affixed to an aircraft that has a certified takeoff weight of at least 6000 pounds that is used to transport air cargo and/or passengers. Large commercial DACs employ a unique financing mechanism known as a "sale-leaseback" for purchases of the multi-million dollar aircraft needed to operate their business.

Enrolled Senate Bill 491 amends the use tax act to prospectively exempt the sales and use of an aircraft that will be subsequently leased to a DAC for use solely in the regularly scheduled transport passengers. That DAC must be operating under a specific certificate issued by the Federal Aviation Administration.